



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

銀行政策部

Our Ref.: B1/15C
CB/POL/4/5/34

2 February 2015

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Basel Committee Standards – Revised Pillar 3 disclosure requirements

As you may be aware, the Basel Committee on Banking Supervision (“BCBS”) issued its *Revised Pillar 3 disclosure requirements*¹ (“revised requirements”) on 28 January 2015.

The revised requirements are the outcome of the first phase of the BCBS review of its existing Pillar 3 disclosure requirements in order to strengthen the regulatory disclosure framework, particularly in terms of the relevance and comparability of disclosed information to market participants. Specific focus is given to improving transparency in respect of the internal model-based approaches that banks use to calculate minimum regulatory capital requirements. The revised requirements feature a greater use of standard templates for quantitative disclosures, combined with flexibility for banks to provide commentary to reflect bank-specific circumstances and risk profiles.

Scheduled to take effect from end-2016, the revised requirements cover regulatory risk weighted exposures for credit, market and counterparty credit risks and securitisation, and will supersede the corresponding existing Pillar 3 disclosure requirements (first issued as part of the Basel II framework in 2004 and subsequently updated by Basel 2.5 in 2009).

¹ Please see <http://www.bis.org/bcbs/publ/d309.pdf>

Going forward, the BCBS will work towards integrating other disclosure requirements from other BCBS standards (including those relating to interest rate risk in the banking book and operational risk where revised risk-weighting frameworks are currently being developed, as well as the Basel III capital, liquidity and leverage requirements) with a view to bringing all regulatory disclosure requirements into a single and coherent package.

The HKMA intends to implement the revised requirements in accordance with the BCBS timetable through appropriate amendments to the Banking (Disclosure) Rules and relevant supervisory guidance, and will consult the industry on its implementation proposals in due course. In the meantime, AIs are strongly recommended to study the revised requirements issued by the BCBS and to prepare for any system changes that are necessary for their implementation in Hong Kong.

Should you have any questions on the revised requirements, please feel free to contact Mr Richard Chu at 2878 8276 or Miss Theresa Kwan at 2878 1093.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Mr Jackie Liu)